

expense for such emergency supply, plus twenty-five (25) per cent, but the unit rate for such emergency supply shall not be less than 3.0 mills per Kwh.

**SECTION 4.** In the event of a material increase or decrease in the cost of fuel as compared with the date of this agreement, at the request of either party an equitable adjustment shall be made in the bill for energy supplied by Hydro as computed according to the provisions of Section 1 of this Article. This adjustment shall be based on the amount of [22873] (page 7) energy supplied PX which is obtained from steam-electric generation.

**SECTION 5.** PX shall reimburse Hydro for any additional taxes, such as taxes based upon the volume of generation, transmission and/or sale of electricity, which may in the future be imposed upon and paid by Hydro over and above taxes in effect upon the date of the signing of this agreement but not in excess of the amount in dollars of such additional taxes that would have been incurred by PX instead of Hydro if PX had supplied from its own generating stations the energy purchased from Hydro.

**SECTION 6.** On or before the fifth day of every calendar month Hydro shall render to PX a bill for, and on or before the twentieth day of said month PX shall pay the sum of, all charges as billed by Hydro for the preceding month. In case of dispute as to the correctness of the bill PX shall make payment of that amount of the charge as billed which is not in dispute. When decision or agreement with respect to the disputed amount is reached, interest at the rate of six (6) per cent per annum on the amount of the delayed payment shall be paid by PX from the date on which such amount was originally due.

#### ARTICLE IV

##### CHARACTERISTICS OF SUPPLY AND POINTS OF DELIVERY

**SECTION 1.** Power and energy supplied PX shall be in the form of three phase alternating current at a fre-

quency of approximately 60 cycles per second and at a voltage of approximately 67,900 volts or such other voltage as may be agreed upon as normal voltage, at the point of delivery. The [22874] (page 8) deviation of the voltage shall not exceed 5% above or 5% below normal. PX shall maintain a practically balanced load between phases.

SECTION 2. Electrical supply under this agreement shall be delivered by Hydro at the high tension terminals of PX's step-down transformers at its Newlinville Substation, and shall be metered on the low tension side of PX's said step-down transformers.

## ARTICLE V

### POWER FACTOR

PX shall maintain a power factor at the points of metering specified in Article IV, Section 2, of not less than 90% lagging unless a lower power factor is requested by Hydro or is necessary because of Hydro's failure to deliver the voltage specified in Article IV, Section 1. If in any month the average power factor at the points of metering during the hours from 6 A. M. to 10 P. M. on all days except Sundays and national holidays is less than 90% lagging, and if such lower power factor was not caused by request of Hydro or by failure of Hydro to deliver the voltage specified in Article IV, Section 1, the maximum demand for that month to be used in determining the Billing Demand under the provisions of Article III, Section 2, either in that month or in any subsequent month, shall be the measured maximum demand in kilowatts multiplied by 90% and divided by the said average power factor in per cent. The average power factor shall be computed from the readings (totalized for the above mentioned hours of the month) of integrating reactive kilovolt-ampere-hour meters equipped with ratchets to prevent the meters from running backward on leading power factor, and of energy [22875] (page 9) meters, at the metering points specified in Article IV, Section 2.

**ARTICLE VI****METERING**

**SECTION 1.** Billing metering equipment of approved type for measuring the demand, energy and reactive supplied to PX hereunder shall be installed and maintained at the metering points specified in Article IV, Section 2, by and at the expense of Hydro. PX may install at its own expense duplicate meters, to be known as "Checking Meters."

**SECTION 2.** All meters shall be kept under seal, and all checking, calibration and adjustment of such meters shall be made in the presence of authorized representatives of each of the parties. All meters shall be tested and calibrated by comparison with accurate standards at regular intervals as may be mutually agreed upon. In case either PX or Hydro shall at any time believe that any meter registers incorrectly, the party holding such belief shall have the right to require that an extra test outside the regular schedule be made of such meter. The party desiring such test shall make written request to the other party, and thereupon such meter shall be tested and calibrated. If as a result of any test, a meter shall be found incorrect or inaccurate, it shall be restored to an accurate condition or a new meter shall be substituted.

If as a result of any test, any billing meter shall be found to register in excess of two per cent (2%) either above or below normal, than the readings of the checking meter if available and if found correct within two per cent (2%) shall be substituted. If no checking meter is available then the readings of the normal billing meter previously taken [22876] (page 10) shall be corrected according to the percentage of inaccuracy so found, but no such correction, either in respect to demand or kilowatt hours drawn and consumed, shall extend back beyond thirty (30) days previous to the day on which such inaccuracy shall be dis-

covered by such test, and if during such previous thirty (30) days one or more prior tests shall have been made under provisions hereof, then no such correction shall extend back beyond the date of the last of such prior tests.

## **ARTICLE VII**

### **HOLTWOOD COMPANY AGENT FOR SAFE HARBOR COMPANY**

Safe Harbor Company hereby authorizes and empowers Holtwood Company to act as its agent, for and on its behalf, in all transactions and relations with PX under this agreement, and PX shall be entitled to deal with Holtwood Company in all respects as if Holtwood Company were the only party contracting with it hereunder.

## **ARTICLE VIII**

### **SUSPENSION OF SERVICE DUE TO UNAVOIDABLE CAUSES**

In case Hydro shall be prevented from delivering electrical supply under this agreement or in case PX shall be prevented from receiving said electrical supply by reason of strike, riot, fire, invasion, explosion, flood, storm, lightning, judicial or administrative order, Act of God or public enemies, or any other cause or causes reasonably beyond their control, PX shall not be obligated to pay the Demand Charge during the period of such interruption and Hydro shall not be obligated to deliver electrical supply during such period, [22877] (page 11) provided, however, that nothing herein contained shall be construed as permitting Hydro to refuse to deliver electrical supply or PX to refuse to receive same as soon as the cause of interruption is removed, and each of the parties hereto shall be prompt and diligent in removing or overcoming such causes. No consequential damages for loss of profits of PX or based upon the cost of substituted energy shall be allowable against Hydro for any failure under this Article VIII to deliver electrical supply to PX.

## ARTICLE IX

### LIABILITY

Each party shall save the other party harmless of and from any damages which may occur to the whole or any part of its own equipment, and from any liability for or on account of injuries to persons or damage to property caused by or sustained on its own equipment, notwithstanding that a judgment may be rendered against the other party hereto, except that each party shall be responsible for all claims from its own employees, agents or servants under any Workmen's Compensation Law, and neither party shall be called upon to indemnify or save harmless the other party against claims, demands, cost or expense for injuries to persons or damage to property occurring on the equipment or property of the other.

## ARTICLE X

### WAIVER OF RIGHTS

The failure of either of the parties hereto to enforce from time to time the strict performance of any of the covenants and agreements herein contained, or the waiving from time to time of a default on the part of either party hereto, shall [22878] (page 12) not be construed as a waiver of any continuing or subsequent default or defaults, nor impair the right of either of the parties hereto subsequently to require the strict performance of each and every covenant, agreement and understanding herein contained.

## ARTICLE XI

### ARBITRATION

In case of any dispute arising between the parties to this agreement, the said dispute shall be referred to a Board of Arbitration upon service of written notice by either party to the other party hereto.

The said Board of Arbitration shall consist of three members, the first member to be chosen by the party complaining, the second member to be chosen by the other party, and the third member to be chosen by the first and second members. Should the second or third member remain unselected at the expiration of thirty (30) days after notice of arbitration is given, then upon the request of the complaining party, and upon notice thereof having been given to the other party hereto, the second or third member, or both, of the Arbitration Board shall be selected by the senior Judge in the U. S. District Court for the Eastern District of Pennsylvania or, in the event of the said Judge's disinclination or failure to act within thirty (30) days, by the President Judge of the Court of Common Pleas of Chester County.

The Board of Arbitrators shall proceed at its earliest convenience to hear and determine the questions at issue after having given each party hereto not less than five days notice of the time and place of the first meeting.

[22879] (page 13)

Each party shall be permitted to be represented by counsel before the Board of Arbitrators, and to present in full, by competent witnesses, all facts, figures and statements which might aid the Board of Arbitrators to give a final and fair judgment as to the questions in dispute.

The determination of the Board of Arbitrators, or a majority thereof, shall be made within sixty (60) days after the submission to said Board, unless prevented by circumstances unforeseen, and the decision of the Board of Arbitrators, or a majority thereof, shall be final and conclusive upon the parties hereto and said parties shall abide by such decision.

All expenses in connection with such arbitration, including a reasonable compensation for the arbitrators, shall be divided equally between the two parties, with the exception of expenses of counsel, witnesses and employees of the par-

ties hereto, which expenses shall be borne by the parties incurring them, provided, however, that the award may specify a different division of costs and expenses.

All notices herein provided for may be given by serving the same in writing, or by sending the same by registered mail addressed to the parties interested at their respective principal places of business.

## ARTICLE XII

### ASSIGNMENT

The terms and provisions of this agreement shall enure to and be binding upon the respective successors and assigns of the parties hereto.

[22880] (page 14)

IN TESTIMONY WHEREOF the parties hereto have caused these presents to be signed in their corporate names by their authorized officers and their corporate seals to be hereunto affixed, and duly attested as of the day and year first above written.

PHILADELPHIA ELECTRIC COMPANY,

*By—*

(Signed) N. E. FUNK,  
*Vice-President*

*Attest:*

(Signed) P. A. WILSON,  
*Assistant Secretary*

PENNSYLVANIA WATER & POWER COMPANY,

*By—*

(Signed) J. A. WALLS,  
*Vice President*

*Attest:*

(Signed) J. E. O'CONNOR,  
*Assistant Secretary*

## SAFE HARBOR WATER POWER CORPORATION,

By

(Signed) J. A. WALLS,  
Vice President

Attest:

(Signed) J. E. O'CONNOR,  
Assistant Secretary

[22881] (page 15)

Lexington Building,  
Baltimore, Maryland.

August 1, 1933.

Subject: *Supplement to Coatesville Power Supply Contract*  
*Re Night Service Rider.*Philadelphia Electric Company,  
1000 Chestnut Street,  
Philadelphia, Pennsylvania.

Gentlemen:

1. The following agreement supplements our agreement (hereinafter called the "Power Contract") of even date herewith for electric supply to the territory of the former Chester Valley Electric Company.
2. You have expressed your intention of offering a "Night-Service Rider" tariff to industrial customers served from your Coatesville distribution system, whereby those customers who may elect to take service under the night-service rider will be billed by your Company at reduced rates per kilowatt for their excess off-peak billing demand and possibly also at reduced rates for energy taken during off-peak hours. Excess off-peak billing demand is understood to be the amount by which the greatest demand during off-peak hours exceeds the billing demand during on-

peak hours. On-peak hours are the hours between 7 A. M. and 7 P. M. Eastern Standard Time, omitting Sundays. During the period when Daylight Saving Time, as now known, is commonly adopted, on-peak hours will be those hours between 6 A. M. and 6 P. M. Eastern Standard Time. Off-peak hours are all other hours. Service during on-peak hours to be subject to your regular tariffs. You have asked that a provision of this character be added [22882] (page 16) to our Coatesville power agreement in order that the rate reduction effected by your night-service rider tariff be shared with the companies from whom you purchase your Coatesville supply. Therefore, it is agreed as follows:

#### AS TO DEMAND CHARGE:

3. In determining PX's maximum demand for any month in which PX sells under its night-service rider power and/or energy to one or more industrial customers in the territory supplied with energy purchased from Hydro, (which maximum demand is used for determining the Billing Demand in that month or in any subsequent month), only demands established by PX during on-peak hours (as defined in Paragraph 2 hereof) shall be considered.

4. In any month in which PX's off-peak demand upon Hydro is greater than the Billing Demand determined as set forth in Paragraph 3 hereof and Article III, Section 2 of the Power Contract, the amount of the difference shall be paid for by PX at the rate of Forty Cents (\$0.40) per Kw. per month.

#### AS TO ENERGY CHARGE:

5. If and when in any month PX shall sell, under its night-service rider, to one or more industrial customers in the territory supplied with energy purchased from Hydro, electrical energy during off-peak hours at the rate of 4 mills per Kwh. or less, Hydro shall sell to PX in that month

at the rate of 3 mills per Kwh, the same amount of off-peak energy that PX sells under the above-mentioned arrangement. The rates for the remainder of the Kwh. supplied under Article II, Section 1 of the Power Contract, shall be as specified in Article III, Section 1 of said Power Contract, the blocking of the energy charge being based on the maximum [22883] (page 17) demand in that month during the on-peak hours only (as defined in Paragraph 2 hereof).

Your countersignature below will indicate your acceptance of this proposal.

PENNSYLVANIA WATER & POWER COMPANY,

*By*—

(Signed) J. A. WALLS,  
*Vice President*

SAFE HARBOR WATER POWER CORPORATION,

*By*—

(Signed) J. A. WALLS,  
*Vice President*

Accepted on August 1, 1933.

At Philadelphia, Pa.

PHILADELPHIA ELECTRIC COMPANY,

*By*—

N. E. FUNK

## EXHIBIT NO. 74.

[22886]

THIS SUPPLEMENTAL AGREEMENT, made the 13th day of December, 1938 by and between PHILADELPHIA ELECTRIC COMPANY (hereinafter called PX), party of the first part, and PENNSYLVANIA WATER & POWER COMPANY and SAFE HARBOR WATER POWER CORPORATION (hereinafter together called HYDRO), parties of the second part, all of said parties being corporations duly organized under the laws of the Commonwealth of Pennsylvania.

## WITNESSETH THAT

WHEREAS, HYDRO AND PX, under date of August 1, 1933, entered into an agreement and supplement thereto providing for the purchase from HYDRO by PX, with exceptions therein set forth, of its electrical power and energy requirements within the territory formerly served by Chester Valley Electric Company, said agreement and supplement being herein collectively referred to as the 1933 Agreement; and

WHEREAS, the parties hereto desire further to supplement and amend the 1933 Agreement as hereinafter set forth:

Now, THEREFORE, in consideration of the premises and of the mutual agreements herein set forth, the parties hereby do hereby mutually agree as follows:

[22887] (page 2)

SECTION 1. Article I of the 1933 Agreement is hereby amended by striking out the date March 31, 1939, and inserting in place thereof the date March 31, 1942.

SECTION 2. Section I of Article II of the 1933 Agreement is hereby amended by striking out paragraph (a) and

substituting in lieu thereof a new paragraph (a), reading as follows:

“(a) PX at its option may furnish from sources other than HYDRO the requirements of those portions of said territory which lie east of an imaginary line located by projecting the West Whiteland-East Caln township line in the northeasterly direction, and south of an imaginary line running in a westerly direction from Embreeville south of Buck Run to Lenover, provided such portion of said territory can be connected, in the judgment of PX, to such other sources more economically than to the Newlinville Substation.”

SECTION 3. Section I of Article II of the 1933 Agreement is hereby amended by striking out paragraph (c) and substituting in lieu thereof a new paragraph (c), reading as follows:

“(c) PX may supply from its own system any electrical power and energy necessary in said territory for the electrification of railroads, except as the parties hereto have or may hereafter otherwise agree from time to time;”

SECTION 4. Article II of the 1933 Agreement is hereby amended by adding at the end thereof a new Section 4, reading as follows:

“Section 4. In the event of emergency in PX’s system inside the territory described in Section 1 of this Article of a nature which prevents HYDRO from supplying all of its contractual requirements through the Newlinville [22888] (page 3) Substation, PX may supply such emergency requirements over its 33 kv. circuit from Cromby and West Chester and/or its Newlinville-Cochranville circuit and such sections so supplied may be electrically separated from HYDRO’s supply through Newlinville during the period of such emergency.”

SECTION 5. Section 3 of Article III of the 1933 Agreement is hereby amended by adding at the end thereof an additional paragraph, reading as follows:

"For emergency supply by PX as described in Article II, Section 4, which is supplied to the territory described in Section 1 of Article II, the energy so supplied shall not be included in the computation of monthly energy charge under Section 1 of this Article, provided the amount and period of such emergency supply does not exceed the extent and duration of the actual emergency and that PX makes every effort with due regard to its service obligations to promptly re-establish the normal flow of energy supply from Hydro through the Newlinville Substation."

SECTION 6. Section 1 of Article VI of the 1933 Agreement is hereby amended by adding at the end thereof an additional paragraph, reading as follows:

"PX shall provide and maintain at its own expense similar metering equipment at mutually agreed upon locations in each of its own interconnections with the territory described in Section 1 of Article II for the purpose of determining the amount of interchange at such points under the several emergency conditions described in Section 3 of Article III."

[22889] (page 4)

SECTION 7. Except as hereinabove expressly supplemented and amended, all terms and conditions of the 1933 Agreement shall remain in full force and effect. This Agreement shall be effective when all legal prerequisites before any regulatory authority with respect thereto shall have been consummated. The parties hereto shall co-operate in conforming to such prerequisites.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be executed by their re-

spective officers thereunto duly authorized and their respective corporate seals to be hereunto affixed and attested, as of the day and year first above mentioned.

PHILADELPHIA ELECTRIC COMPANY

*By N. E. FUNK,  
Vice-President.*

[SEAL]

*Attest:*

V. A. SOMMAR,  
*Secretary*

PENNSYLVANIA WATER & POWER COMPANY

*By F. A. ALLNER,  
Vice-President*

[SEAL]

*Attest:*

J. E. O'CONNOR,  
*Asst. Secretary*

SAFE HARBOR WATER POWER CORPORATION

*By J. A. WALLS,  
President*

[SEAL]

*Attest:*

J. E. O'CONNOR,  
*Asst. Secretary*

## EXHIBIT NO. 75.

[22890]

PHILADELPHIA ELECTRIC COMPANY  
1000 Chestnut Street  
Philadelphia 5

N. E. Funk  
Vice-President

February 9, 1944

Mr. G. W. Spaulding, Vice-President,  
Pennsylvania Water & Power Company,  
Lexington Building  
Baltimore 1, Md.

*Re: Coatesville Power Supply Contract*

Dear Sir:

Your letter of February 8, regarding the fuel rate adjustment received.

I agree that the method outlined by you is "an equitable adjustment" in accordance with the terms of Section 4 of Article III of the Coatesville Power Supply Contract.

Very truly yours,

(Signed) K. M. IRWIN

Assistant to Vice-President

KMI:C

[22891]

(Letterhead of)

PENNSYLVANIA WATER & POWER COMPANY  
Lexington Building  
Baltimore 3, Md.

February 8, 1944

Mr. K. M. Irwin, Assistant to Vice-President  
The Philadelphia Electric Company  
1000 Chestnut Street, Philadelphia, Pa.

RE: *Coatesville Power Supply Contract*

Dear Mr. Irwin:

This will confirm our considerations of a fuel rate adjustment under our Coatesville power supply contract because of the recent marked increase in the price of fuel.

We propose to make such an adjustment to the energy billed monthly under this contract beginning with the bill for energy delivered during the month of January 1944. This fuel rate adjustment is considered to be in accordance with the terms of Section 4 of Article III of our Coatesville power supply contract dated August 1, 1933, which provides that either party may request that an equitable adjustment be made in the bill in the event of a material increase or decrease in the cost of fuel as compared with the price of fuel as of the date of that agreement.

The monthly fuel rate adjustment will apply to the total energy delivered at Newlinville Substation under this contract; will be based on the proportion of steam electric generation to the total generation of a combined system (which for this purpose includes the power systems of this Company, Safe Harbor Water Power Corporation and Consolidated Gas Electric Light and Power Company of Baltimore) after adjustment for power interchange transactions by this Company; will vary with the average pounds of coal used per Kwh. (station send-out) in all of the steam elec-

tric generating plants of the Consolidated Gas Electric Light and Power Company of Baltimore; and will vary with the increase or decrease in the average cost of coal as reported monthly by Consolidated Gas Electric Light and Power Company of Baltimore to the Public Service Commission of Maryland, from a base price of \$4.25 per net ton. The details of such monthly fuel rate adjustment computations are shown on an attached sheet and will apply so long as the average price of coal per net ton during any month as reported by Consolidated Gas Electric Light and Power Company of Baltimore to the Public Service Commission of Maryland exceeds \$4.50, or is less than \$4.00 per net ton.

Will you please advise us whether the above is in accordance with your understanding.

Yours very truly,

(Signed) G. W. SPAULDING

G. W. Spaulding

Vice-President

GWS/js

[22892]

February 8, 1944

FUEL RATE ADJUSTMENT UNDER  
COATESVILLE POWER SUPPLY CONTRACT

Net Steam Gen.\*

A—Ratio	Net Total Gen. **	%
B—Total energy delivered at Newlinville		Kwh.
C—Average Pounds Coal per Kwh. (Baltimore Steam Plants)		#/Kwh.
D—Cost of Coal per Net Ton (in bunkers of Baltimore steam plants)		\$
E—Variation in Dollars per Net Ton from \$4.25 base price		\$
Fuel Rate		
Adjustment = A x B x C x E = \$		
	2,000	

- \*—Total Baltimore and Holtwood net steam generation
  - Less steam interchange sales to Penna. ties
  - Plus steam interchange purchased from Penna. ties
- \*\*—Total steam and hydro net generation
  - Less all interchange sales to Penna. ties
  - Plus all interchange purchased from Penna. ties

## EXHIBIT NO. 76.

[22896]

THIS RENEWAL AGREEMENT, made as of the first day of May, 1933, by and between PENNSYLVANIA WATER & POWER COMPANY (hereinafter sometimes called "Holtwood Company"), and SAFE HARBOR WATER POWER CORPORATION (hereinafter sometimes called "Safe Harbor Company"), parties of the first part (hereinafter called "Generating Companies"), and PENNSYLVANIA POWER & LIGHT COMPANY (hereinafter called "Receiving Company"), party of the second part, all of said companies being corporations of the State of Pennsylvania:

## WITNESSETH:

WHEREAS, by agreement dated October 9, 1912, Holtwood Company agreed to supply and Edison Electric Company (to which company Receiving Company is successor) agreed to purchase certain electric power and electric energy required by said Edison Electric Company, in accordance with the terms and conditions set forth in said agreement, and

WHEREAS, by renewal agreement dated October 19, 1923, the term of said agreement of October 9, 1912 was extended for a period of ten (10) years from May 1, 1923, and certain provisions thereof modified, and

WHEREAS, the parties thereto desire to modify certain provisions of said agreement of October 9, 1912, cancel other provisions thereof and extend the term thereof, and cancel the said renewal agreement of October 19, 1923, and

[22897.] (page 2)

WHEREAS, Safe Harbor Company desires to become a party to this agreement and to undertake, jointly and severally, with the Holtwood Company, to the extent per-

mitted by law, the obligations formerly the sole obligation of Holtwood Company under said agreement of October 9, 1912, as herein modified and extended, all of which is satisfactory to both Holtwood Company and Receiving Company:

Now, THEREFORE, in consideration of the premises and of the mutual covenants, promises and agreements herein-after set forth, the parties hereto do hereby agree with each other as follows:

## ARTICLE I TERM OF CONTRACT

All the provisions of said agreement of October 9, 1912, as herein modified or extended, shall continue in force until midnight of October 31, 1940, and thereafter for successive periods of two (2) years' duration unless and until either shall have given to the other party written notice at least eighteen (18) months prior to the expiration of the original term or of any extension thereof of its desire to terminate the same at the end of the current contract period.

## ARTICLE II

### CANCELLATION OF PROVISIONS IN PREVIOUS AGREEMENTS

SECTION 1. All the provisions in the said renewal agreement of October 19, 1923, are hereby cancelled without prejudice to the proceedings referred to in Section 3 of Article IX hereof, provided however that, except as hereinafter specifically provided, such cancellation shall not release either party from any payment accruing thereunder.

[22898] (page 3)

SECTION 2. The following provisions of said agreement of October 9, 1912 are hereby cancelled:

Article II, AMOUNT OF ENERGY TO BE SUPPLIED.

The First Paragraph, PRICE AND PAYMENTS, of Article III.

The words "at as near as possible to unity power factor, and," in the second sentence of the second section, RECEIVING COMPANY'S EQUIPMENT AND USE OF POWER, of Article IV,

And all other provisions therein and all other agreements and arrangements inconsistent with this renewal agreement.

### ARTICLE III

#### CHARACTERISTICS OF POWER AND ENERGY AND POINTS OF DELIVERY

SECTION 1. Electric power and electric energy (hereinafter referred to as "power and energy") supplied under this agreement shall be 3-phase alternating current at frequencies of approximately 25 and 60 cycles per second in such quantities as Receiving Company may require hereunder. It is expected that during the first few years of this agreement there will be considerable decrease in Receiving Company's 25 cycle energy requirements. The parties hereto shall cooperate to prevent inefficient use of equipment as a result of such decrease, and to prevent tying up a large amount of 25 cycle equipment to supply a relatively small 25 cycle load.

SECTION 2. Receiving Company may at any time at its own expense adapt either or both circuits of its existing double circuit 25 cycle transmission line and corresponding substation equipment for the receipt of 60 cycle power and energy.

[22899] (page 4)

If Receiving Company's 25 cycle energy requirements shall for six (6) consecutive months average less than 1,200,000 Kwh. per month, Receiving Company shall upon request by Generating Companies, adapt, at its own expense, either or both circuits of its existing 25 cycle transmission line and corresponding substation equipment for delivery of 60 cycle energy by Generating Companies.

In either of these events, Holtwood Company shall (provided neither party has indicated its intention to terminate this agreement) make at its own expense whatever changes in its facilities are necessary to enable it to supply 60 cycle power and energy at approximately 66,000 volts to said line or lines in the required amount.

SECTION 3. The point of delivery of 25 cycle energy for transmission over Receiving Company's existing 25 cycle transmission line, or of 60 cycle energy for transmission over said line if and when it is converted to 60 cycle service, shall continue to be at the beginning of Receiving Company's said 25 cycle line near the Holtwood Power Station of the Holtwood Company. Other 60 cycle power and energy shall be delivered at the beginning of Receiving Company's 60 cycle transmission line (purchased from Holtwood Company) at Lehman's Farm Switching Structure, near Safe Harbor.

SECTION 4. All power and energy delivered hereunder shall be metered at, or in case this is not practicable, shall be corrected to, the low tension terminals of the step-down transformers at Engleside Substation. Necessary billing meters shall be installed and maintained by and at the expense of Generating Companies.

Receiving Company shall provide such additional metering equipment that may be necessary for determining the [22900] (page 5) Lancaster Load Requirements referred to in Article IV, Sections 2 and 3, subsequent to the interconnection of Receiving Company's electric system in Lancaster County, Pennsylvania, with its main system or with those of other utilities.

#### ARTICLE IV

##### AMOUNT OF POWER AND ENERGY AND FLEXIBILITY PROVISIONS

SECTION 1. Until Receiving Company shall connect its electric system in Lancaster County, Pennsylvania, with its

main system, or with those of other utilities, Generating Companies shall be obligated to supply and Receiving Company shall be obligated to receive and pay for Receiving Company's Lancaster Load Requirements. For purposes of this agreement, this amount, hereinafter referred to as "Lancaster Load Requirements," shall be considered to be all of the power and energy requirements of Receiving Company for use and sale for use in Lancaster County and adjacent areas now supplied with power and energy purchased from the Holtwood Company, except such amount as may be supplied to railroads for electrification purposes by Receiving Company from its own system, and such amounts as may be obtained from Receiving Company's existing Conestoga Creek Hydro Plants and its Engleside Steam Electric Station (or any substitute therefor) or from industrial customers in said territory under interchange arrangements, provided, however, that in any calendar year the amount of generation at said steam electric generating station of Receiving Company shall not exceed 5,000,000 Kwh., and the amount of energy received from any such customer shall not exceed the amount of energy supplied to that customer.

[22901] (page 6)

SECTION 2. After such interconnection, Generating Companies shall be obligated—

(a) to supply at all times the Lancaster Load Requirements, except that during the on-peak periods of days of low flow (hereinafter defined), Generating Companies may at their option reduce their supply to Receiving Company to 80% of the Lancaster Load Requirements during such on-peak periods, provided, however, that in emergencies affecting Receiving Company's ability to supply a portion of the load from other sources, Generating Companies shall if possible, supply for the duration of such emergencies the entire Lancaster Load Requirements.

(b) to supply upon request of Receiving Company at times of high flow (hereinafter defined), an additional amount equal to 20% of the Lancaster Load Requirements, provided, however, that Generating Companies shall not be obligated to install generating capacity to furnish such additional supply, or to interfere with the firm power supply to their other customers. This additional amount above the Lancaster Load Requirements shall be known as Excess Energy.

SECTION 3. After such interconnection, Receiving Company shall be obligated to receive and pay for energy (hereinafter called Firm Requirements) as follows:

During all off-peak periods, the Lancaster Load Requirements.

During on-peak periods of days of high flow, 90% of the Lancaster Load Requirements.

During on-peak periods of all other days, 80% of the Lancaster Load Requirements.

[22902] (page 7)

On-peak periods, as used herein, shall be the periods between the hours of 7 A. M. to 8 P. M. weekdays, and 7 A. M. to 12 Noon and 5 P. M. to 8 P. M. Saturdays (excluding legal holidays and Sundays). Off-peak periods, as used herein, shall be all other periods of the year.

Days of high flow, as used herein, shall be those days on which the average flow of the Susquehanna River at Holtwood Plant of Holtwood Company equals or exceeds 25,000 c.f.s. Days of low flow, as used herein, shall be all other days of the year.

SECTION 4. The accumulated amount of reduction in energy supply below the Lancaster Load Requirements at Receiving Company's option under Section 3 shall at no time exceed the accumulated amount of Excess Energy supplied at the request of, and/or the amount requested by, Receiving Company under Section 2 by more than 10,000,000 Kwh.

## ARTICLE V

### USE OF POWER AND ENERGY

SECTION 1. None of the power and energy supplied hereunder to Receiving Company by Generating Companies shall be sold or disposed of by Receiving Company to the Pennsylvania Railroad for electrification of its railroad lines, provided, however, that this provision shall not be construed to prevent Receiving Company from selling or continuing to sell to said Railroad Company any of such power and energy for its power and lighting requirements in its stations, shops, yards and for the operation of its signals, switches, etc.

[22903] (page 8)

## ARTICLE VI

### RATE FOR POWER AND ENERGY

SECTION 1. The rates to be paid by Receiving Company to Generating Companies for power and energy shall be as follows:—

6.60 mills per kilowatt hour of Lancaster Load Requirements supplied hereunder, provided, however, that the payment made by Receiving Company in any month for such supply shall not exceed that shown in or calculated from the tabulation attached hereto and made a part hereof and marked "Appendix A."

3.5 mills per kilowatt hour of Excess Energy supplied hereunder.

## ARTICLE VII

### SUPPLY BY RECEIVING COMPANY TO GENERATING COMPANIES

Receiving Company agrees to supply to Generating Companies power and energy which they may request from time to time for sleet melting, correction of voltage of Generating Companies' supply and similar uses. So long

as Receiving Company shall continue to take 25 cycle power and energy, it shall at its own expense maintain its existing frequency changing equipment and when and as requested by Generating Companies to the extent that it is practicable to do so operate same up to its present capacity for conversion of 25 cycle power and energy to 60 cycle power and energy, or vice versa, provided, however, that the amount of power and energy thus supplied to Generating Companies or consumed as losses in frequency changers operated at Generating Companies' request shall be deducted by Generating Companies before calculating their bills against Receiving Company.

[22904] (page 9)

## ARTICLE VIII

### INTERCONNECTION AND PARALLEL OPERATION

It is the understanding of the parties that Receiving Company intends to interconnect its Lancaster system with its main system (which main system is itself normally operated in parallel with numerous other large electric systems) and with the electric systems of other companies. The various provisions of this renewal agreement are agreed to between the parties with the understanding that Receiving Company's Lancaster system will be so connected and will be operated in parallel with other systems and that each of the parties hereto will arrange and operate its facilities in such manner as may be necessary for such parallel operation.

As soon as Receiving Company shall have definitely determined the date upon which it expects to initiate parallel operation of its Lancaster system with its main system and/or with the electric systems of other companies, it shall advise Generating Companies of such expected date and of the nature of the interconnecting facilities which it proposes to install. In this event, Generating Companies and Receiving Company shall endeavor promptly to effect

arrangements and methods of operation which will make possible parallel operation without undue interference with the service of either party, as well as arrangements for an equitable division of the cost of any changes in or additions to the facilities or equipment of either party necessary to accomplish these results.

## ARTICLE IX

### COMPETITION

SECTION 1. Generating Companies covenant that during the term of this agreement or any renewal thereof, prior to receipt by Generating Companies of notification from Receiving [22905]-(page 10) Company of the latter's intent not to renew this agreement, and except as hereinafter provided in Section 3 of this Article, neither they nor either of them, nor any of their affiliated, subsidiary, allied or controlled companies will, directly or indirectly, transmit, distribute, sell and/or otherwise dispose of power and energy (except to Receiving Company) for use within the charter territory of Receiving Company, or of any of its present or future affiliated, subsidiary, allied or controlled companies in Pennsylvania, said territory as now constituted being shown in green on the map attached hereto and made a part hereof, marked "Appendix B," or in the territory shown in red on said map, which is identified by the signatures of the officers executing this agreement on behalf of their respective companies, without the written consent of Receiving Company, unless ordered to do so by The Public Service Commission of Pennsylvania or other competent governmental authority.

SECTION 2. Generating Companies further covenant that neither they nor either of them, nor any of their affiliated, subsidiary, allied or controlled companies will, directly or indirectly, seek from any regulatory body the right to perform any of the acts described in Section 1 of this Article.

SECTION 3. The restrictions upon Generating Companies stipulated in Sections 1 and 2 of this Article shall not—

(a) apply to Martic and Manor Townships of Lancaster County;

(b) prevent Generating Companies, or either of them, or any of their affiliated, subsidiary, allied or controlled companies from selling power and energy to a non-affiliated electric public utility at a point outside of the territory shown in green on the attached map, or in a portion of said territory shown in green, in which said electric [22906] (page 11) public utility and Receiving Company both have charter rights, for use in such common territory or under border line agreements;

(c) prevent either party hereto from maintaining and prosecuting its respective contentions with respect to the specific matters and things involved in the Reports and Orders of The Public Service Commission of the Commonwealth of Pennsylvania, dated January 10, 1933, in the proceedings at Application Docket Numbers 21579 (Folder No. 2) and 24491, and it is understood that Generating Companies may avail themselves of the rights granted by such Reports and Orders as finally determined;

(d) be construed to prevent or interfere with the free flow or interchange of energy between the several sources of power of Holtwood Company and Safe Harbor Company, or any of their affiliated, subsidiary, allied or controlled companies, or to prevent the use by said companies of their own power and energy for station load and auxiliary services;

(e) be construed to prevent Generating Companies from continuing to sell power and energy (other than firm power and energy) to Metropolitan Edison Company in the vicinity of York, which power and energy

is transmitted and used by said company in its chartered territory shown in red on the attached map:

(f) prevent Generating Companies or any of their affiliated, subsidiary, allied or controlled companies, from supplying power and energy at a point or points outside of the charter territory of Receiving Company to a railroad company for use in the charter territory of Receiving Company or any of its affiliated, subsidiary, allied or [22907] (page 12) controlled companies, (excepting, however, the territory described in Section 1 of Article IV hereof) each party hereto, however, retaining the right to maintain or prosecute its respective contentions as to such supply.

SECTION 4. Receiving Company covenants that during the term of this agreement or any renewal thereof, prior to receipt by Receiving Company of notification from Generating Company of the latter's intent not to renew this agreement, neither it nor any of its affiliated, subsidiary, allied or controlled companies will, directly or indirectly, oppose the construction, maintenance or operation on the right-of-way described in Appendix C, by Generating Companies or any of their affiliated, subsidiary, allied or controlled companies, of any transmission lines with appurtenant equipment, provided such transmission lines and appurtenant equipment are not to be used for the purpose of violating the provisions of Sections 1 and 2 of this Article, of which fact Generating Companies will give Receiving Company assurance, and furthermore will not oppose the free flow, interchange and use of power and energy mentioned in paragraph (d) of Section 3 of this Article, provided, however, that nothing herein contained shall be construed as an admission by either party as to the charters and/or approvals required for the construction, maintenance and/or operation of such lines.

SECTION 5. In the event of a breach of these covenants by either party, the other party, in addition to any and all other remedies at law or in equity which it or they may

have, shall have the right, at its or their option, to terminate this agreement upon eighteen (18) months' prior written notice.

**SECTION 6.** This Article supersedes all former agreements, arrangements, or understandings on the subject herein covered.

[22908] (page 13)

## **ARTICLE X**

### **HOLTWOOD COMPANY AS AGENT FOR SAFE HARBOR COMPANY**

Safe Harbor Company hereby authorizes and empowers Holtwood Company to act as its agent, for and on its behalf, in all transactions and relations with Receiving Company under this agreement, and Receiving Company shall be entitled to deal with Holtwood Company in all respects as if Holtwood Company were the only party contracting with it hereunder.

## **ARTICLE XI**

### **CANCELLATION ON ACCOUNT OF TAXES**

**SECTION 1.** In case any additional tax or taxes (as compared with the present time), such as taxes based upon the volume of generation, transmission, and/or sale of electricity, are imposed upon and paid by Generating Companies during the term of this agreement or any extension thereof, Generating Companies may bill Receiving Company for such additional taxes to the amount that would have been incurred by Receiving Company instead of Generating Companies if Receiving Company had supplied from its own generating stations the energy purchased from Generating Companies. Receiving Company shall either pay such bills or notify Generating Companies of its unwillingness to reimburse Generating Companies. In this latter event, Generating Companies shall have the right upon notice to Receiving Company to cancel this agreement at a date eighteen (18) months after the rendering of any such bill or bills for taxes equal to or in excess

of \$15,000 in any year, on which payment is refused by Receiving Company.

[22909] (page 14)

## ARTICLE XII

### ASSIGNMENT

This contract shall enure to and be binding upon the successors and assigns of the respective parties hereto.

IN TESTIMONY WHEREOF the parties hereto have caused these presents to be signed in their corporate names by their authorized officers and their corporate seals to be hereunto affixed; and duly attested as of the day and year first above written.

PENNSYLVANIA WATER & POWER COMPANY,

By—

(Signed) J. A. WALLS,  
*Vice-President*

Attest:

(Signed) J. E. O'CONNOR,  
*Asst. Secretary*

SAFE HARBOR WATER POWER CORPORATION,

By—

(Signed) J. A. WALLS,  
*Vice-President*

Attest:

(Signed) J. E. O'CONNOR,  
*Asst. Secretary*

PENNSYLVANIA POWER & LIGHT COMPANY,

By—

(Signed) J. S. WISE, JR.,  
*President*

Attest:

(Signed) C. M. WALTER,  
*Secretary*

[22910] (page 15)

## APPENDIX "A"

LANCASTER POWER SUPPLY CONTRACT  
OF MAY-1, 1933

Million KWH of Lancaster

Load Requirements      Amount to be Billed  
Supplied per Month

7.0	\$43,411.00
7.1	44,086.00
7.2	44,761.00
7.3	45,436.00
7.4	46,111.00
7.5	46,786.00
7.6	47,461.00
7.7	48,136.00
7.8	48,811.00
7.9	49,486.00
8.0	50,161.00
8.1	50,836.00
8.2	51,511.00
8.3	52,186.00
8.4	52,861.00
8.5	53,536.00
8.59	54,143.50
8.6	54,243.50
8.7	55,243.50
8.8	56,243.50
8.9	57,243.50
9.0	58,243.50
9.1	59,243.50

[22911] (page 16)

9.2	60,243.50
9.3	61,243.50
9.340147	61,644.97

Above 9.340147

See Note

NOTE: For supply of less than 7,000,000 Kwh., deduct \$675.00 for each 100,000 Kwh. of deficiency below 7,000,000 Kwh.

For supply in excess of 9,340,147, add \$660.00 for each 100,000 Kwh. of such excess.

If in any twelve months' period ending April 30th, the monthly Lancaster Load Requirements supplied under the Lancaster Power Supply Contract of May 1, 1933, fluctuate above and below 9,340,147 Kwh. per month, an ADJUSTMENT in payments shall be made at the end of the twelve months' period as follows: Receiving Company shall pay Generating Company an ADJUSTMENT which shall be *the smaller* of the two following amounts:

A. An amount determined by multiplying (3.4 mills) by (The sum of the differences between the Kwh. of Lancaster Load Requirements actually supplied and 9,340,147 Kwh. for those months in which this actual supply shall have exceeded 9,340,147 Kwh.).

B. An amount determined by subtracting (The sum of the amounts actually paid during the twelve months' period for Lancaster Load Requirements) from (The product of "the total kilowatt-hours of Lancaster Load Requirements supplied during the twelve months' period" and "6.6 mills").

(Initialed) J. A. W.  
J. S. W., Jr.

[22912] (page 17)

#### NOTE REGARDING

#### APPENDICES "B" AND "C"

Attached to the signed copies of the contract were maps initialed J. A. W. and J. S. W., Jr. and entitled:

Appendix B—Lancaster Power Supply Contract of May 1, 1933—

Map, Showing Territory Referred to in Article IX, Section 1 and Section 3 (e).

Appendix C—Lancaster Power Supply Contract of May 1, 1933—

Map Showing Transmission Line Right-of-Way Referred to in Article IX, Section 4.

## EXHIBIT NO. 77.

[22914]

[Letterhead of]

PENNSYLVANIA WATER & POWER COMPANY  
LEXINGTON BUILDING  
Baltimore, Md.

April 28, 1939

Re: Provisions in Connection with Parallel  
Operation of Lancaster Division with Main  
System of Pennsylvania Power & Light Company

Mr. J. S. Wise, Jr. President  
Pennsylvania Power & Light Company  
Allentown, Pennsylvania

Dear Sir:

The Renewal Agreement of May 1, 1933 (Main Contract), and the Letter Agreement of June 11, 1934 contain certain provisions in regard to parallel operation with Receiving Company's main system, requiring both parties to jointly work out numerous details concerning the character and division of cost of facilities, methods of operation, etc. A practical solution of these composite problems has been reached as the result of many tests, engineering studies and conferences, followed by prolonged periods of experimental operation, and represents a mutually satisfactory interpretation of those clauses in the existing agreements for the conditions at present obtaining and applicable until modified by mutual consent as further investigations or changed conditions may require in order to fulfill the intent of the above Renewal Agreement.

(1). *Letter Agreement of June 11, 1934 Superseded:*

The Letter Agreement of June 11, 1934 which has served the purpose of covering the interim period between initial Donegal service and regular parallel op-

eration is hereby superseded with respect to all its provisions except Paragraph (7) which shall continue in effect until Manor Substation is put into service.

(2) *Right-of-Way:*

Holtwood Company will grant Receiving Company a [22915] (Folio 2) right-of-way on a temporary easement basis for the duration of the Contract along the route now occupied by Receiving Company's Donegal circuit and extending to Manor Substation. In the event of termination of the Contract, Holtwood Company will grant Receiving Company without charge a right-of-way on a permanent easement basis across its property at a point about one-half mile above Witmer's Mill Bridge over Conestoga Creek.

(3) *Termination:*

Each party agrees not to exercise its right of eighteen months' notice of termination (Article I of the Main Contract) prior to midnight of April 30, 1945. The original term of the Contract is thereby extended from October 31, 1940 by three successive two-year periods to October 31, 1946.

(4) *Delivery Points:*

Supplementing Article III, Section 3 of the Main Contract 60 cycle power and energy, in addition to the points specified therein, shall also be delivered at the Safe Harbor end of Receiving Company's 60 cycle Safe Harbor-Donegal-Harrisburg transmission line.

(5) *Continuation of 4,000 Volt Service at Holtwood Power House:*

The low voltage supply for a portion of the territory of the former Pioneer Electric Light Company (now part of and connected to Receiving Company system), which supply, subsequent to the expiration of the agreement of March 13, 1926 has been furnished

under a verbal understanding at the rate of 15 mills per Kwh. shall be continued at the same rate and under the same conditions as at present. The energy supplied at 4,000 volts at Holtwood shall be billed separately and shall not be included in the Lancaster Load Requirements as defined in Article IV, Section 1, of the Main Contract.

**(6) Metering:**

Supplementing Article III, Section 4, of the Main Contract:

Previous to completion of Manor Substation, power and energy delivered hereunder at Safe Harbor referred to in Paragraph (4) above, for use in the Lancaster [22916] (Folio 3) Division shall be metered at the low tension terminals of the step-down transformers at Donegal and South Manheim Substations. Power and energy delivered at Safe Harbor for use or interchange, outside the Lancaster Division shall be metered at Harrisburg Substation at 66 Kv.

After completion of Manor Substation, the net amount of power and energy delivered by, or to, Safe Harbor and Harrisburg over the Donegal circuit, for use or interchange either inside or outside the Lancaster Division, shall be determined as of the 66 Kv. side of Donegal Substation, by employing directional billing Kwh. meters and a so-called "loss" Kwh. meter installed at Harrisburg, together with a like installation at Safe Harbor. The "loss" meter at Harrisburg shall be calibrated to record losses in the 66 Kv. line between Harrisburg and Donegal, and the "loss" meter at Safe Harbor shall be calibrated to record the losses in the 66 Kv. line between Manor Substation and Donegal. The registration of billing meters and loss meters shall be used to compute as accurately as practicable the net amount of power and energy interchanged as

of Donegal Substation between Manor Substation and Harrisburg, as well as the net amount of power and energy delivered at Donegal for use in the Lancaster Division.

Necessary billing meters shall be installed and maintained by and at the expense of Generating Companies, with the exception of those at Harrisburg Substation which shall be at the expense of Receiving Company.

*(7) Manor Substation and Transmission Line:*

On or before November 1, 1941, (unless development of a new type of circuit breaker will require a longer time in which event a date not later than May 1, 1943 shall be agreed upon between the parties) Generating Companies will construct and thereafter will operate and maintain at a location near the Safe Harbor plant, a high tension bus and switching station (to be known as Manor Substation), shown schematically on attached diagram, Exhibit M, and will construct a double circuit steel tower transmission line to connect Receiving Company's [22917] (Folio 4) double circuit line at Lehman Farm with Manor Substation.

Receiving Company is hereby granted the right to use said line as a part of its system. Receiving Company shall, at its expense, operate said line and maintain it in good operating condition. However, all renewals and replacements necessary to keep said line in good operating condition shall be made by Generating Companies at their expense.

For the right to use said line Receiving Company shall make monthly payments to Generating Companies at the rate of 1% per month of the actual cost of constructing said line, which cost shall not exceed \$40,000.00, beginning with the first full calendar month after said line and Manor Substation are put into operation.

Upon completion of the construction work, Generating Companies will send Receiving Company a statement of the actual cost of constructing the said line, including reasonable charges for overhead, and will give Receiving Company an opportunity to verify any or all of the cost items for this work.

*(8) Method of Operation:*

As the control of the flow of power in conformity with Sections 2 and 3 of Article IV of the Main Contract might under certain conditions require costly and special facilities not otherwise justified Generating Companies and Receiving Company hereby adopt the practical interpretation of these provisions described below, including conditions covering intentional and unintentional flow of power and energy in excess of the minimum or maximum limits specified in the Flexibility Provisions in Article IV. Under this plan, Generating Companies with the aid of telemetered load indications transmitted by Receiving Company from Harrisburg to Safe Harbor, will endeavor to regulate, approximately in accordance with the desired schedule, the net flow of power over Receiving Company's Harrisburg-Donegal line and over paralleling lines of other parties.

[22918] (Folio 5)

*(9) Flexibility Provisions:*

Receiving Company, effective as of November 1, 1939, shall have the following options with respect to the Flexibility Provisions of the Main Contract:

*Option A*—Continue to operate as at present, taking excess energy and supplying portions of the Lancaster Load Requirements, as provided in Sections 2, 3 and 4 of Article IV.

**Option B**—Receive and pay for the amount of energy which Generating Companies are obligated to supply under the provisions of Section 2 (a) of Article IV of the Main Contract; and suspend all the other Flexibility Provisions (Sections 2 (b), 3 and 4 of Article IV) except the last two paragraphs of Section 3. During the period of such suspension Generating Companies will credit Receiving Company with an amount equal to 0.10 mill (\$0.0001) times the number of Kwh. of Lancaster Load Requirements.

**Option C**—Receive and pay for the entire Lancaster Load Requirements and suspend all of the Flexibility Provisions (Sections 2, 3 and 4 of Article IV). During the period of such suspension Generating Companies shall be obligated to supply the Lancaster Load Requirements at all times.

Such options or change of one plan of operation to another shall be exercised by Receiving Company after written notice to Generating Companies, as follows:

From Option A to Option B or from Option B to  
Option A—60 days' notice.

From Option A or Option B to Option C—18 months' notice.

From Option C to Option A or Option B—12 months' notice.

[22919] (Folio 6)

The minimum length of time each option shall continue in effect shall be:

(10) *Capacity Service in Excess of Generating Companies' Obligation Under Section 2 of Article IV of the Main Contract:*

(A) *Firm Peak Service:*

In case Receiving Company becomes deficient in Firm Load Carrying Capacity for its Harrisburg area it shall purchase and Generating Companies shall supply the amount of such deficiency (not exceeding 15,000 Kw.) at the rate of 75¢ per kilowatt per month during the first month in which such deficiency occurs and in succeeding months until such deficiency is eliminated. Receiving Company may eliminate such deficiencies by increasing the Firm Load Carrying Capacity for its Harrisburg area by increasing generating capacity in that area, increasing firm capacity delivered over transmission lines from its main system (directly or indirectly) or purchasing firm capacity from neighboring systems.

The Firm Load Carrying Capacity for the Harrisburg area shall be the total capacity available for that area with the generating unit, transmission line, transformer or other facility out of service which results in the second largest reduction in available capacity.

The Deficiency in Firm Load Carrying Capacity for the Harrisburg area for any month shall be the positive difference between Receiving Company's maximum one-hour integrated load in the Harrisburg area in that month or any of the twenty-three preceding months and the Firm Load Carrying Capacity for the Harrisburg area. The Firm Loading Carrying Capacity for the Harrisburg area has been determined under the now existing conditions and shall be re-determined from time to time when requested by Generating Companies.

[22920] (Folio 7)

As to energy commitment, Generating Companies shall be obligated to supply to Receiving Company, when requested by Receiving Company, the energy represented by the area under a load curve consisting of the Harrisburg area load above a horizontal line (on the same curve) which is obtained as the maximum one-hour integrated load in the Harrisburg area less Receiving Company's Deficiency in Firm Load Carrying Capacity for that area as defined in the preceding paragraph. That part of such energy which is delivered to the Harrisburg area shall be paid for by Receiving Company on the basis of economy flow, except when needed under emergency conditions in which case the charges specified in Paragraph (12) below shall apply. The above defined energy and capacity service shall be known as "Firm Peak Service."

*(B) Secondary Capacity Service:*

During those months when Receiving Company purchases the above described "Deficiency in Capacity" from Generating Companies, Receiving Company in addition to the energy service specified in the preceding paragraph shall also be entitled to Secondary Capacity Service supplementary to, but not exceeding the amount of Deficiency in Capacity purchased during that month and Generating Companies shall supply such additional capacity service when requested by Receiving Company under the following conditions:

*(a) Week-end Service:*

From 1:00 P. M. on Saturday until 7:00 A. M. on Monday.

*(b) Work Week Service:*

In any calendar week when the unregulated river flow at Holtwood, i. e., the effect of

pondage and up-river storage (if any) eliminated, is greater than 6,000 c. f. s., but not greater than 10,000 c. f. s., Receiving Company may call on Generating [22921] (Folio 8) Companies for Secondary Capacity Service over and above the week-end service under paragraph (a) above, up to an amount equal to 30 hours' use, including therein the Kwh. comprised in Firm Peak Service, of the Kw. Firm Capacity currently paid for by Receiving Company, provided, however, that the amount of capacity service hours thus supplied shall not in any four consecutive weeks aggregate more than 60 hours' use of the Firm Capacity Service paid for.

In any calendar week when the average unregulated river flow at Holtwood is greater than 10,000 c. f. s., Receiving Company may call on Generating Companies for Secondary Capacity Service over and above the week-end capacity service up to an amount equal to 60 hours' use, including therein the Kwh. comprised in Firm Peak Service, of the Kw. Firm Capacity currently paid for by Receiving Company.

(c) All energy supplied under this Secondary Capacity Service shall be paid for at the same rates as the energy supplied under Firm Peak Service, i. e., on the basis of economy flow, except when needed under emergency conditions, in which case the charges specified in Paragraph (12) below shall apply. Generating Companies, except for week-end capacity service, shall not be obligated to supply Secondary Capacity Service on days when the river flow is greater than 300,000 c. f. s.

Receiving Company's entitlement for Firm and Secondary Capacity Service shall not be used intentionally for delivery or resale to Metropolitan Edison Co. or to other parties outside of Receiving Company's own power and distribution system, except as may be agreed upon from time to time between the parties hereto.

[22922] (Folio 9)

*(11) Interchange:*

The parties will interchange electric energy and capacity for the purpose of securing economies in the production of energy and in the protection of service. Energy so interchanged shall be paid for commencing with the month of November 1939 as follows:

- (a) "Steam Economy Flow" energy and capacity shall be paid for on a basis which will give each party one-half of the total savings resulting from such interchange.
- (b) "Hydro Economy Flow" energy shall be paid for on a basis which will give Receiving Company a saving of 0.6 mill per Kwh. plus an additional saving, if any, equal to one-half of the excess of Receiving Company's incremental cost above 2.3 mills per Kwh. Receiving Company will make every reasonable effort to utilize a maximum amount of hydro energy offered by Generating Companies.
- (c) "Unintentional" energy shall be accounted for as steam economy flow and shall be paid for on the same basis as steam economy flow. Interchange of unintentional energy shall be kept at a minimum and whenever possible such flow of energy that is unavoidable will be maintained toward the system with the higher cost.

(12) *Emergency Supply:*

Each party agrees that it will not depend on the other for capacity, either installed or operating, in excess of the amount to which it is entitled under the provisions hereof. In case of breakdowns of generating equipment, transmission lines or of any other emergency, each party will upon request assist the other to the greatest extent possible without, however, curtailing or adversely affecting its own services or firm power commitments to third parties. Such emergency assistance shall be paid for at actual out-of-pocket cost to the assisting [22923] (Folio 10) party plus ten per cent. Hydro energy supply which may form part of such emergency assistance shall be paid for at 2.5 mills per Kwh.

(13) *Credit for Greater Utilization of Generating Companies' Present Facilities:*

During those months in which the amount of energy actually supplied by Generating Companies for use in the Lancaster Division is greater than 13.5 million Kwh., Generating Companies shall credit Receiving Company, commencing with the month of November, 1939, at the rate of 0.6 mill per Kwh. on the monthly energy supplied at the rate of 6.6 mills per Kwh. in excess of 13.5 million Kwh.

(14) *Joint Use of Transmission Facilities:*

In order to secure the greatest practical benefit in the utilization of those tie-in facilities in the Harrisburg and Lancaster areas which may be available to either party providing a path between Generating Companies and Receiving Company in parallel with a path owned by or available to third parties with whom both parties are interconnected, each party will permit the free-of-charge use by the other party of the capacity, not needed for its own requirements at the time, of

transmission facilities owned or controlled by it for the purpose of transmitting or receiving capacity and energy to or from third parties. The transmitting party will be compensated for actual out-of-pocket operating cost involved in such transactions.

Nothing contained herein shall be construed to permit either party to use the other party's facilities directly or indirectly in competition with the other party, or in a manner that may otherwise affect adversely the interests of the other party.

[22924] (Folio 11)

If the foregoing is acceptable to you as a mutually satisfactory solution and interpretation of features previously referred to in existing agreements, at least in so far as these problems can be anticipated at this time in a practical manner, please indicate your acceptance by signing this letter in the space provided and return one copy to us, retaining the other for your files.

Yours very truly,

PENNSYLVANIA WATER & POWER COMPANY

By (Signed) F. A. ALLNER

F. A. Allner

Vice President

SAFE HARBOR WATER POWER CORPORATION

By (Signed) J. A. WALLS

J. A. Walls

President

Accepted at Allentown, Pa., on  
this 13th day of July 1939.

PENNSYLVANIA POWER & LIGHT COMPANY

By (Signed) J. S. WISE, JR.

J. S. Wise, Jr.

President

FAA:MFK

## EXHIBIT No. 87

[22950]

IN THE UNITED STATES COURT OF APPEALS FOR  
THE DISTRICT OF COLUMBIA.

PENNSYLVANIA WATER & POWER COMPANY,  
A CORPORATION,

*Petitioner,*

*v.*

FEDERAL POWER COMMISSION,

*Respondent.*

*To the Honorable, the Judges of the United States Court  
of Appeals for the District of Columbia:*

Pennsylvania Water & Power Company, a corporation, petitioner, files its petition under Section 313 (b) of the Federal Power Act (49 Stat. 860, 16 U. S. C. 825 (1), Title II of the Public Utility Act of 1935, approved August 25, 1935, amending the Federal Water Power Act, approved June 10, 1920, 41 Stat. 1063, 16 U. S. C. 791-823) against the Federal Power Commission, hereinafter designated as respondent or the Commission, to review and set aside an order entered by it on the 3rd day of November, 1939, and thereupon shows unto the Court:

1. Petitioner is a corporation, incorporated under the laws of the Commonwealth of Pennsylvania on January 13, 1910 by the purchasers at foreclosure of the property and franchises of McCall's Ferry Power Company, a Pennsylvania corporation. Continuously since October, 1910, petitioner has owned, maintained and operated, for the purpose of developing electric power, a dam, reservoir, power house and other [22951] (page 2) works incidental thereto (hereinafter sometimes called the Holtwood Development)

across and in the Susquehanna River, at Holtwood, near McCall's Ferry, Pennsylvania. For many years petitioner has sold electric energy, so developed, at wholesale in interstate commerce. The Holtwood Development was constructed by petitioner and its predecessor, McCall's Ferry Power Company and the receiver thereof, at a cost of millions of dollars, in the exercise of the rights of petitioner and its predecessor as owners of land on both banks of the Susquehanna River and of rights under various statutes and laws of Pennsylvania and under various proceedings thereunder, and in compliance with all applicable laws of Pennsylvania or of the United States. In the operation of the Holtwood Development petitioner conserves and utilizes, and always has conserved and utilized, the water-power resources available to it to the utmost, and also cooperates with other users of water-power in conserving and utilizing the water-power resources of the region to the utmost. There is no navigation in the region and there are no navigation resources of the region. Construction of the dam and other works was begun in 1905, and the first unit was completed and put in operation in October, 1910. The Holtwood Development is about 24.5 miles above the mouth of the Susquehanna, 20 miles above tidewater, 9 miles above the state line between Pennsylvania and Maryland, 18 miles below Columbia and Wrightsville and 35.5 miles below Middletown.

**EXHIBIT No. 93.**

[22961] (page 2)

**S. H. W. P. CORP. ANNUAL REPORT TO S. E. C. FOR  
YEAR ENDED 12/31/35**

By a contract dated June 1, 1931, between Registrant and Holtwood and Consolidated Companies, to remain in force until April 22, 1980, Holtwood Company is entitled to one-third and Consolidated Company to two-thirds of all the capacity and energy available from Registrant's initial hydroelectric development and the two purchasing companies are to make annual payments to Registrant in the same proportion. By a contract made as of June 1, 1931, between Holtwood Company and Consolidated Company, (supplementing contract of December 31, 1927) to remain in force until April 22, 1980, Consolidated Company is entitled to all the electrical capacity and energy available to Holtwood Company at its own plant and also from that of Registrant under the above mentioned three party contract, not otherwise disposed of in performance of other contracts or legal obligations to serve. In return, Consolidated Company is to make to Holtwood Company annual payments computed in accordance with the provisions of the contract, subject to modification by regulatory authorities.

[22964] (page 24)

SAFE HARBOR WATER POWER CORPORATION, REGISTRANT, PROFIT  
AND LOSS STATEMENT FOR YEAR ENDED DECEMBER 31, 1935.  
Explanation

	Item	Amount
<b>1.B. Operating Revenues:</b>		
From Sale of Electrical Energy in Bulk to the Following Customers:		
Consolidated Gas Electric Light and Power Company of Baltimore (Note)		\$ 1,200,000.00
Pennsylvania Water & Power Company (Note)		600,000.00
<b>TOTAL OPERATING REVENUE</b>		<b>\$ 1,800,000.00</b>
<b>2.B. Operating Expenses:</b>		
(a) Hydraulic Generating System Expenses		\$ 196,654.66
(b) Administrative and Other General Expenses		126,348.11
		\$ 323,002.77
(c) Maintenance and Repairs (Schedule X)		45,390.97
(d) Renewals and Replacements Expense (Depreciation) (Schedule X)		147,152.98
(e) Taxes (Other Than Income Taxes) (Schedule X)		95,177.11
<b>TOTAL OPERATING EXPENSES</b>		<b>\$ 610,723.83</b>

INCOME FROM OPERATIONS	\$ 1,189,276.17
OTHER INCOME:	
10. <i>Miscellaneous Other Income</i>	37.60
	—————
GROSS INCOME	\$ 1,189,313.77
INCOME DEDUCTIONS:	
13. <i>Interest And Debt Discount And Expense</i>	
(a) Interest on Funded Debt	\$ 945,000.00
(b) Amortization of Debt Discount and Expense	55,506.00
	—————
TOTAL INCOME DEDUCTIONS	\$ 1,000,506.00
	—————
16. NET INCOME	\$ 188,807.77
	—————

Note—The revenues from sale of electrical energy to Consolidated Gas Electric Light and Power Company of Baltimore and Pennsylvania Water & Power Company were received pursuant to the terms and conditions of an agreement dated June 1, 1931 between these companies and Registrant. These two customers each own 50% of the outstanding voting stock of Registrant. Registrant does not admit that either of these companies is an affiliate or parent of Registrant. (See Item 1, Page 1.)

## EXHIBIT NO. 97.

[22979]

SAFE HARBOR WATER POWER CORPORATION  
ANNUAL REPORT TO S. E. C. FOR YEAR ENDED  
DECEMBER 31, 1939  
NOTES TO PROFIT AND LOSS STATEMENT

*Note 1.*—

The revenues from sales of electric energy to Consolidated Gas Electric Light and Power Company of Baltimore and Pennsylvania Water & Power Company were received pursuant to the terms and conditions of an agreement dated June 1, 1931 between these companies and the Registrant. These two customers each own 50% of the outstanding Voting stock of the Registrant.

On November 9, 1937, the Federal Power Commission instituted an investigation of the rates and other terms of the contract dated June 1, 1931, between the Registrant, Pennsylvania Water & Power Company and Consolidated Gas Electric Light and Power Company of Baltimore, under which the Registrant sells its entire output to the two latter companies, to determine whether any of the provisions of the Federal Power Act, or any rule or regulation of the Commission is being violated, and whether the rates are unjust, unreasonable or discriminatory. The Federal Power Commission by an order dated September 19, 1939 granted leave to the People's Counsel to the Maryland Commission to intervene in these proceedings. A hearing before an examiner was held on October 9, 10, 11, 12, 16, 17, 18, 19 and November 6, 1939. The Commission has not yet made a decision. At the hearing, and in briefs filed since the hearing, counsel for the Commission have contended that the rates that the Registrant is receiving under the contract are excessive and should be substantially reduced.

**EXHIBIT NO. 105.**

[23001] (page 1)

**S. H. W. P. CORP. ANNUAL REPORT TO S.E.C. FOR  
YEAR ENDED 12/31/45**

By a contract dated June 1, 1931, and a supplemental contract dated November 22, 1939; with the Holtwood Company and the Consolidated Company, to remain in force until April 22, 1980, the Holtwood [23002] (page 2) Company is entitled to one-third and the Consolidated Company to two-thirds of all the capacity and energy available from the Registrant's hydroelectric plant and the two purchasing companies are to make annual payments to the Registrant in the same proportion. By supplemental contracts, made as of June 1, 1931, and September 29, 1939, between the Holtwood Company and the Consolidated Company (supplementing contract of December 31, 1927) to remain in force until April 22, 1980, the Consolidated Company is entitled to all the electric capacity and energy available to the Holtwood Company at its own plant and also from that of the Registrant under the above-mentioned three-party contracts, not otherwise disposed of in performance of other contracts or legal obligations to serve. In return, the Consolidated Company is to make to the Holtwood Company annual payments computed in accordance with the provisions of the contracts.

[23003] (page 5)

## SAFE HARBOR WATER POWER CORPORATION

PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 1945

## OPERATING REVENUES:

## Sales of Electric Energy (Note 6):

Consolidated Gas Electric Light and	
Power Company of Baltimore	\$2,463,544.94
Pennsylvania Water & Power Com-	
pany	1,231,772.47
Other Electric Revenues	168.00
Total Operating Revenues	<u>\$3,695,485.41</u>

## OPERATING REVENUE DEDUCTIONS (Schedule

## XVI):

## Operating Expenses:

Production	\$ 353,402.14
Transmission	57,850.26
Administrative and General	285,615.34
Totals	<u>\$ 696,867.74</u>
Depreciation (Note 5)	173,962.59

## Taxes:

Federal Income Taxes	371,431.48
Federal Excess Profits Tax	221,490.48
State Income Tax	26,000.00
Other than Income and Excess	
Profits Taxes	<u>101,309.29</u>

Total Operating Revenue De-	
ductions	<u>\$1,591,061.58</u>

Operating Income	<u>\$2,104,423.83</u>
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## OTHER INCOME:

Other Interest Revenues	\$ 13,263.59
Gross Income	<u>\$2,117,687.42</u>

## INCOME DEDUCTIONS:

Interest on Long-Term Debt	\$ 875,674.56
Amortization of Debt Discount and Expense	29,331.27
Taxes Assumed on Interest (Schedule XVI)	17,626.20
Other Interest Charges	16.77
Interest Charged to Construction—Credit	(293.03)
Miscellaneous Income Deductions	1,375.00
Appropriated to Reserve for Depreciation (Note 5)	80,783.87
 Total Income Deductions	 \$1,004,514.64
 NET INCOME (Note 6)	 \$1,113,172.78

[23004] (page 10)

## SAFE HARBOR WATER POWER CORPORATION

## NOTES PERTAINING TO FINANCIAL STATEMENTS

(Concluded)

## Note 6.—

The revenues from sales of electric energy to Consolidated Gas Electric Light and Power Company of Baltimore and Pennsylvania Water & Power Company were received pursuant to the terms and conditions of an agreement dated June 1, 1931 between these companies and the Registrant. These two customers each own 50% of the outstanding voting stock of the Registrant.

On September 1, 1944, the Federal Power Commission issued an order instituting an investigation to determine whether, in connection with any transmission or sale of electrical energy subject to the jurisdiction of that Commission under the Federal Power Act, any rates, charges

or classifications demanded, observed, charged or collected by Registrant, or any rules, regulations, practices or contracts affecting such rates, charges or classifications are unjust, unreasonable, unduly discriminatory or preferential; and if, after hearing, it should be found that any of such rates, charges, classifications, rules, regulations, practices or contracts are unjust, unreasonable, unduly discriminatory or preferential to determine and fix just and reasonable rates, charges, classifications, rules, regulations, practices or contracts to be thereafter observed and in force. Hearings in this matter were concluded March 16, 1945 and briefs have been filed by the Registrant and the Commission, but no decision has been rendered by the Commission and the Registrant cannot determine at this time the extent to which its future net income may be affected thereby.

• • •

**EXHIBIT NO. 106**

[23005] (page 2)

**PENNSYLVANIA WATER & POWER CO.**

**ANNUAL REPORT TO S. E. C. FOR YEAR ENDED  
DECEMBER 31, 1935.**

**1. (Concluded)**

By a contract, dated June 1, 1931 with Safe Harbor Company and Consolidated Company, to remain in force until April 22, 1980, Registrant is entitled to one-third and Consolidated Company to two-thirds of all the capacity and energy available from Safe Harbor Company's initial hydroelectric development and the two purchasing companies are to make annual payments to Safe Harbor Company in the same proportion. By a contract, made as of June 1, 1931, between Registrant and Consolidated Company (supplementing contract of December 31, 1927) to remain in force until April 22, 1980, Consolidated Company is entitled to all the electrical capacity and energy available to Registrant at its own plant and also from that of Safe Harbor Company, under the above mentioned three party contract, not otherwise disposed of in performance of other contracts or legal obligations to serve. In return, Consolidated Company is to make to Registrant annual payments, computed in accordance with the provisions of the contract, subject to modification by regulatory authorities.

\* \* \*

[23010] (page 38)

PENNSYLVANIA WATER & POWER COMPANY  
SYSTEMCONSOLIDATED PROFIT AND LOSS STATEMENT  
FOR YEAR ENDED DECEMBER 31, 1935

## (NOTE 1.)

<i>Explanation</i>	<i>Item</i>	<i>Amount</i>
<b>1. B. Operating Revenues:</b>		
(a) From sale of electrical energy, in bulk (Note 2)		\$5,819,560.21
(b) Other operating revenues		29,422.75
	<b>TOTAL OPERATING REVENUES</b>	<b>\$5,848,982.96</b>
<b>2. B. Operating Expenses:</b>		
(a) Hydraulic Generating System Expenses		\$173,058.81
(b) Steam Generating System Expenses		200,289.98
(c) Electricity Purchased from Others (Note 3)		628,284.82
(d) Transmission System Expenses		99,763.12
(e) Administrative and Other General Expenses		239,235.94
		<b>\$1,340,632.67</b>
(f) Maintenance and Repairs (By Functional Group) (Schedule X)		
Hydraulic Generating System Properties		\$138,534.46
Steam Generating System Properties		44,140.67
Transmission System Properties		148,434.14
Other General Properties		42,005.69
		<b>\$ 373,114.96</b>

(g) Renewals and Replacements Expense (Depreciation) (Schedule X)	464,336.18
(h) Taxes (Other Than Income Taxes) (Schedule X)	291,354.10
<b>TOTAL OPERATING EXPENSES</b>	<b>\$2,469,437.91</b>
<b>INCOME FROM OPERATIONS</b>	<b>\$3,379,545.05</b>

**OTHER INCOME:**

7. <i>Dividends</i> (Schedule XI)	\$ 164,322.55
8. <i>Interest on Securities</i> (Marketable Securities)	45,740.60
9. <i>Profits on Securities</i> (See Schedule IX—Surplus)	—
10. <i>Miscellaneous Other Income:</i>	
(a) Interest Received on Notes Receivable from Fiscal Agent	\$34,889.74
(b) Interest Received on Deposits, Notes and Accounts	740.55 35,630.29
<b>TOTAL OTHER INCOME</b>	<b>\$ 245,693.44</b>
<b>GROSS INCOME</b>	<b>\$3,625,238.49</b>

**INCOME DEDUCTIONS:**

11. <i>Losses on Securities</i> (See Schedule IX—Surplus)	\$ —
13. <i>Interest and Debt Discount and Expenses:</i>	
(a) Interest on Funded Debt	1,055,780.02
(b) Amortization of Debt Discount and Expense (See Schedule VII)	—
<b>TOTAL INCOME DEDUCTIONS</b>	<b>\$1,055,780.02</b>

14. <i>Net Income Before Provision for Federal Income Taxes</i>	\$2,569,458.47
15. <i>Provision for Federal Income Taxes</i>	297,268.94
<b>NET INCOME</b>	<b>\$2,272,189.53</b>

[23011] (page 39)

**PENNSYLVANIA WATER & POWER COMPANY SYSTEM**

**NOTES PERTAINING TO CONSOLIDATED PROFIT AND LOSS STATEMENT FOR YEAR ENDED DECEMBER 31, 1935**

**NOTE 1.**

Registrant's books of account reflect all revenues and expenses, including depreciation expense and the accompanying depreciation reserve accounts, applicable to its wholly-owned subsidiary transmission companies; Susquehanna Transmission Company of Maryland, Susquehanna Transmission Company of Pennsylvania and Pennsylvania Transmission Company. This policy was adopted by virtue of the contractual relationship which has existed between Registrant and these particular Companies since their inception and which made it possible for the Registrant to retain direct control over these Companies at all times through ownership of all their outstanding securities. The properties of Registrant and these subsidiaries are coordinated and operated as a unit by a common organization and contracts for the sale of electrical energy have been predicated on this basis. This policy was first adopted January 1, 1911, when the Registrant's properties were placed on a commercial operating basis and has been followed consistently since that date, both with respect to its accounts and reports to the investing public.

The same principle of consolidation has been adopted in the preparation of this statement as was followed in the consolidated balance sheet presented herein.

## NOTE 2. (Caption 1. B.)

This amount (\$5,819,560.21) represents, with the exception stated below, the revenues received from the sale of electrical energy to five customers and, of this sum, \$4,074,939.59 represents the revenue from the sale of power to the Consolidated Gas Electric Light and Power Company of Baltimore under an agreement dated June 1, 1931. The latter amount is stated before the application of a credit of \$177,945.59 which was allowed the Consolidated Company pursuant to the above agreement. In this connection, reference is made to the descriptive data covering the "Reserve for Special Equalization" of "Schedule VII, Reserves". Registrant does not admit that this Company is a subsidiary, affiliate or parent of Registrant. (See Item 1, page 1)

There is also included under this caption the sum of \$133,750.00 which was received from the "Conowingo Companies" in 1935 as compensation for Registrant's loss in energy output and demand value of its plant as well as other losses, all of which arise from the construction and operation of former's hydroelectric plant at Conowingo, Md. The "Conowingo Companies" comprise The Susquehanna Power Company, The Susquehanna Electric Company and Philadelphia Electric Power Company.

## NOTE 3. (Caption 2. B. (c))

The cost of electricity purchased from others was \$628,284.82 in 1935 and of this amount \$600,000.00 represents the cost of electrical energy purchased by Registrant from the Safe Harbor Water Power Corporation. This electricity was purchased pursuant to an agreement dated June 1, 1931, between Consolidated Gas Electric Light & Power Company and Registrant and the Safe Harbor Water Power Corporation. Registrant does not admit that either of these Companies is a subsidiary, affiliate, or parent of Registrant. (See Item 1, page 1)

**EXHIBIT NO. 116.**

[23058] (page 2)

PENNSYLVANIA WATER & POWER CO.  
ANNUAL REPORT TO S. E. C. FOR YEAR ENDED  
DECEMBER 31, 1945

By a contract, dated June 1, 1931, and a supplemental contract dated November 22, 1939, with the Safe Harbor Corporation and the Consolidated Company, to remain in force until April 22, 1980, the Registrant is entitled to one-third and the Consolidated Company to two-thirds of all the capacity and energy available from the Safe Harbor Corporation's hydroelectric plant and the two purchasing companies are to make annual payments to the Safe Harbor Corporation in the same proportion. By supplemental contracts, made as of June 1, 1931 and September 29, 1939 between the Registrant and the Consolidated Company (supplementing contract of December 31, 1927) to remain in force until April 22, 1980, the Consolidated Company is entitled to all the electric capacity and energy available to the Registrant at its own plant and also from that of the Safe Harbor Corporation under the above-mentioned three party contracts, not otherwise disposed of in performance of other contracts or legal obligations to serve. In return, the Consolidated Company is to make to the Registrant annual payments computed in accordance with the provisions of the contracts.

[23059] (page 5)

PENNSYLVANIA WATER & POWER COMPANY  
 AND SUSQUEHANNA TRANSMISSION COMPANY  
 OF MARYLAND  
 A WHOLLY-OWNED SUBSIDIARY

CONSOLIDATED PROFIT AND LOSS STATEMENT  
 FOR THE YEAR ENDED DECEMBER 31, 1945

OPERATING REVENUES (Note 2):

Sales of Electric Energy:

Consolidated Gas Electric Light and Power Company of Baltimore	\$2,084,216.67
Other	4,833,709.37
Other Electric Revenues	133,750.00
Total Operating Revenues	\$7,051,676.04

OPERATING REVENUE DEDUCTIONS (Schedule  
XVI):

Operating Expenses:

Production:

Power Purchased from Safe Harbor Water Power Cor- poration	\$1,231,772.47
Interchange Power—Net	(812,133.77)
Other Production Expenses	986,562.70
Transmission	366,367.37
Administrative and General	625,541.55
Total	\$2,343,110.32
Depreciation (Note 8)	574,245.15

## Taxes:

Federal Income Tax	945,223.26
Federal Excess Profits Tax	266,470.56
State Income Taxes	60,544.32
Other than Income and Excess Profits Taxes	256,704.62
<b>Total Operating Revenue Deductions</b>	<b>\$4,451,298.23</b>
<b>Operating Income</b>	<b>\$2,600,377.81</b>

## OTHER INCOME:

Income (Loss) from Non-Utility Operations	(362.33)
Dividend Revenues (Schedule XVII):	
Safe Harbor Water Power Corporation	280,000.00
Consolidated Gas Electric Light and Power Company of Baltimore	105,264.00
Interest on Securities Owned (Marketable Securities)	57,265.24
<b>Total Other Income</b>	<b>\$ 442,166.91</b>
<b>Gross Income</b>	<b>\$3,042,544.72</b>

## INCOME DEDUCTIONS:

Interest on Long-Term Debt	\$ 680,449.37
Amortization of Debt Discount, Premium and Expense (Refunded Issue) (Note 5)	43,610.10
Amortization of Premium on Debt Credit (Note 7)	(10,834.08)
Other Interest Charges	36.35
Interest Charged to Construction—Credit	(280.29)
Miscellaneous Income Deductions	42,012.00
<b>Total Income Deductions</b>	<b>\$ 754,993.45</b>
<b>NET INCOME (Note 2)</b>	<b>\$2,287,551.27</b>

**EXHIBIT NO. 117.**

[23060] (page 3)

~~REGISTRATION STATEMENT FILED MAY 28, 1935~~  
WITH S. E. C.

BY PENNSYLVANIA WATER & POWER CO.

By a contract, dated June 1, 1931, with Safe Harbor Company and Consolidated Company, to remain in force until April 22, 1980, Registrant is entitled to one-third and Consolidated Company to two-thirds of all the capacity and energy available from Safe Harbor Company's initial hydroelectric development and the two purchasing companies are to make annual payments to the Safe Harbor Company in the same proportion. (See Exhibit H-1). By a contract, made as of June 1, 1931, (supplementing contract of December 31, 1927) to remain in force until April 22, 1980, the Consolidated Company is entitled to all the electrical capacity and energy available to Registrant at its own plant and also from that of the Safe Harbor Company, under the above mentioned three party contract, not otherwise disposed of in performance of other contracts or legal obligations to serve. In return, the Consolidated Company is to make to Registrant annual payments, computed in accordance with the provisions of the contract; subject to modification by regulatory authorities. (See Exhibit H-2).

[23061] (page 4)

The electric energy of Registrant is delivered to its customers over the transmission systems of Registrant and its wholly owned subsidiaries, Susquehanna Transmission Company of Pennsylvania, Pennsylvania Transmission Company, and Susquehanna Transmission Company of Maryland, which companies are engaged in no other business than the transmission of electric energy for Registrant and Safe Harbor Water Power Corporation.

[23063] (page 57)

PENNSYLVANIA WATER &amp; POWER COMPANY,

REGISTRANT

CONSOLIDATED PROFIT AND LOSS STATEMENT  
FOR YEAR ENDED DECEMBER 31, 1934

(NOTE 1.)

	Explanation	Item	Amount
1. B. <i>Operating Revenues:</i>			
(a) From sale of electrical energy, in bulk, (Note 2)			\$5,415,433.06
(b) Other operating revenues			26,834.94
		TOTAL OPERATING REVENUES	<u>\$5,442,268.00</u>
2. B. <i>Operating Expenses (By Functional Group)</i>	Other Than Those Listed Below:		
(a) Hydraulic Generating System Expenses		\$160,502.98	
(b) Steam Generating System Expenses		197,801.38	
(c) Electricity Purchased from Others (Note 3)		558,071.21	
(d) Transmission System Expenses		84,054.17	
(e) Administrative and Other General Expenses		<u>219,532.51</u>	<u>\$1,219,962.25</u>
3. <i>Maintenance and Repairs</i>	(By Functional Group)		
	(Schedule VIII)		
(a) Hydraulic Generating System Properties		\$124,270.07	
(b) Steam Generating System Properties		35,336.80	
(c) Transmission System Properties		112,000.60	
(d) Other General Properties		39,594.89	<u>311,202.36</u>

4.	<i>Renewals and Replacements Expense</i> (Depreciation) (Schedule VIII)	413,698.99
5.	<i>Taxes (Other Than Income Taxes)</i> (Schedule VIII)	201,748.25
6.	<i>Management and Service Contract Fees</i>	—
7.	<i>Rents and Royalties</i> (Schedule VIII)	21,780.00
8.	<i>Other Operating Expenses</i>	—
9.	<i>Selling, General and Administrative Expenses</i> (Included above under item 2B (e))	—
10.	<i>Provision for Doubtful Accounts</i>	—
11.	<i>Other General Expenses</i> (Included above under Item 2B (e))	—
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$2,168,391.85</b>
	<b>INCOME FROM OPERATIONS</b>	<b>\$3,273,876.15</b>

## OTHER INCOME:

12.	<i>Dividends</i> (Schedule IX)	\$ 100,861.92
13.	<i>Interest on Securities</i> (Other Security Investments)	44,715.48
14.	<i>Profits on Securities</i>	—
15.	<i>Miscellaneous Other Income</i>	
	(a) Interest during Construction (Note 4)	\$18,788.07
	(b) Interest received on Note Receivable from Fiscal Agent	35,325.18
	(c) Interest received on deposits, notes and accounts	1,248.70
	(d) Dividends on Registrant's Common Stock (Note 5)	612.00
		55,973.95
	<b>TOTAL OTHER INCOME</b>	<b>\$ 201,551.35</b>
	<b>GROSS INCOME</b>	<b>\$3,475,427.50</b>

[23064] (page 58)

## NOTE 2. (Item 1. B.)

This amount (\$5,415,433.06) represents, with the exception stated below, the revenues received from sale of electrical energy to five customers and, of this sum, \$3,654,652.43 represents the revenues from sale of power to the Consolidated Gas Electric Light and Power Company of Baltimore under an agreement, dated June 1, 1931 (See Exhibit H-2). The latter amount is stated before the application of a credit of \$225,000 which was allowed the Consolidated Company pursuant to paragraph (g) of Article III of the above agreement. In this connection, reference is made to the descriptive data covering the "Reserve for Special Equalization" of "Schedule VI. Reserves". Registrant does not admit that this company is a subsidiary, affiliate or parent of Registrant. (See Item 10, page 2)

[23065] (page 59)

## NOTE 3. (Item 2. B. (c))

The cost of electricity purchased from others was \$558,071.21 in 1934 and of this amount \$533,333.33 represents the cost of electrical energy purchased by Registrant from the Safe Harbor Water Power Corporation. This electricity was purchased pursuant to an agreement dated June 1, 1931, between Consolidated Gas Electric Light and Power Company and Registrant and the Safe Harbor Water Power Corporation: a copy of which is submitted herewith and identified as Exhibit H-1. Registrant does not admit that this company is a subsidiary or affiliate of Registrant. (See Item 10, page 2)

## EXHIBIT NO. 120.

[23078] (page 3)

REGISTRATION STATEMENT FILED 1/4/40 WITH  
S. E. C. BY P. W. & P. CO.

By a contract, dated June 1, 1931, and a supplemental contract dated November 22, 1939, with the Safe Harbor Corporation and the Consolidated Company, to remain in force until April 22, 1980, the Company is entitled to one-third and the Consolidated Company to two-thirds of all the capacity and energy available from the Safe Harbor Corporation's hydroelectric plant and the two purchasing companies are to make annual payments to the Safe Harbor Corporation in the same proportion. By supplemental contracts, made as of June 1, 1931, and September 29, 1939, between the Company and the Consolidated Company (supplementing contract of December 31, 1927) to remain in force until April 22, 1980, the Consolidated Company is entitled to all the electric capacity and energy available to the Company at its own plant and also from that of the Safe Harbor Corporation under the above mentioned three party contracts, not otherwise disposed of in performance of other contracts or legal obligations to serve. In return, the Consolidated Company is to make to the Company annual payments computed in accordance with the provisions of the contracts. Copies of these contracts are filed herewith as Exhibits I-6(a), I-6(c), I-5(c), I-5(d) and I-5(a), respectively to which reference is hereby made. Reference is also made to subdivision (2) of the answer to Item 40 regarding the investigation of the contract with the Safe Harbor Corporation by the Federal Power Commission and the answer to Item 5 under the caption "State Regulation" regarding a recent investigation by the Maryland Public Service Commission of the contract with the Consolidated Company.

[23079] (page 4)

## HISTORY AND BUSINESS.

5. Outline briefly the general character of the business done and intended to be done by the registrant and its subsidiaries.

The Company is a public utility engaged in the business of generating, purchasing, selling and transmitting electric power and energy, largely at wholesale. Its generating properties consist of a 111,000 k.w. hydroelectric plant and a 20,000 k.w. steam-electric plant located at Holtwood, Pa., on the Susquehanna River. It does no distribution business. The transmission lines of the Company and its wholly-owned subsidiary, Susquehanna Transmission Company of Maryland, are an integral part of the regional power supply system referred to below (see the map referred to in Item 7).

The hydroelectric plant of Safe Harbor Water Power Corporation, located about eight miles above the Company's generating plants at Holtwood, Pa., has a capacity of 180,000 k.w. and has been tied in with the Company's hydroelectric and steam-electric plants and the steam-electric plants of Consolidated Gas Electric Light and Power Company of Baltimore by transmission lines owned by the Company or its wholly-owned transmission subsidiary. Power resources of the three companies are thus coordinated and operated as a regional power supply system. Most of the transmission lines were constructed primarily for the purpose of supplying individual customers of the Company. Those lines and the other lines owned by the Company or its wholly-owned transmission subsidiary, also serve as tie lines between the companies composing this regional power supply system, one to the other, and as lines for the delivery of power from or to the wholesale customers of one or more of such companies.

Pursuant to individual contracts with customers, the Company sells electric energy to six customers. The names

of the Company's customers, the date when such customer (or its predecessor) was first served by the Company, together with a reference to the subdivision or subdivisions of the answer to Item 41 in which the principal sales contract or contracts with such customer are summarized, are as follows:

Name of Customer	Date First Served	Reference to Subdivisions of the Answer to Item 41
Consolidated Gas Electric Light and Power Company of Baltimore .....	1910	5 & 6
Pennsylvania Power & Light Company .....	1913	7
Edison Light & Power Company .....	1923	8
Philadelphia Electric Company .....	1923	9 & 10
The Pennsylvania Railroad Company	1938	10, 12 & 13
Metropolitan Edison Company (inter-change only) .....	1932	11

The Company delivers to the Consolidated Company under contracts (referred to in subdivisions (5) and (6) of the answer to Item 41) all the electric energy available at its own plants and available to it from the Safe Harbor Corporation's plant (pursuant to the contract referred to in subdivision (6) of the answer to Item 41) and elsewhere not otherwise disposed of in performance of other contracts or legal obligation to serve and permits the Consolidated Company to use certain transmission and substation facilities.

The Company, the Consolidated Company, the Safe Harbor Corporation and Potomac Electric Power Company supply electric energy to The Pennsylvania Railroad Company under contracts (referred to in subdivisions (10), (12) and (13) of the answer to Item 41), covering the entire electrification requirements for its railroad system between Perryville, Md. and Washington, D. C., between Thorndale,

Pa. and Harrisburg and Enola, Pa., and between Columbia, Pa. and Perryville, Md. and in yards adjacent thereto and supporting these services. Service to the Railroad Company for its lines in Maryland and the District of Columbia began in February, 1935 and for its lines in Pennsylvania in January, 1938.

Substantially all of the fuel for the operation of its steam-electric plant is provided by the recovery and treatment of coal which the Susquehanna River and its tributaries wash down from the anthracite regions of Pennsylvania and which is deposited in the bed of the River. The Company obtains this coal by having it dredged, and purchases coal dredged by others, from the River above the dam at Holtwood.

The Company and its wholly-owned subsidiary, Susquehanna Transmission Company of Maryland, intend to continue in business of the general character described above.

The Company does not undertake to indicate either what, if any, hydroelectric sites are or may become susceptible of economic development by private or governmental interests or what, if any, effect any such development would have on the Company's business.

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#### FEDERAL REGULATION

#### FEDERAL POWER ACT

The Company and its wholly-owned subsidiary, Susquehanna Transmission Company of Maryland, are subject to the jurisdiction of the Federal Power Commission under Part II of the Federal Power Act which provides that the Commission shall have jurisdiction over the business of, and facilities for, transmission of electric energy in interstate commerce and sale of electric energy at wholesale in interstate commerce. Such jurisdiction as set forth in Parts

II and III of said Act, extends to the interconnection and coordination of facilities, the sale; lease or other disposition of facilities, the merger or consolidation of facilities, the issuance and purchase of securities, the assumption of liabilities, rates, charges, services, accounting, valuation, rates of depreciation, generation of electric energy (during wars in which the United States is engaged and other emergencies) and other matters.

Under the provisions of the Federal Power Act authorization from said Commission, in the opinion of counsel for the Company, is not necessary for the issuance of the securities registered hereunder because the Company is organized and operating in Pennsylvania, a State under the laws of which its security issues are regulated by a State Commission.

Reference is made to the statements above under "State Regulation" with respect to the system of accounts prescribed by the Federal Power Commission effective January 1, 1937.

Certain officers and directors of the Company have filed applications pursuant to Section 305 (b) of the Federal Power Act, with the Commission for authorization to continue to hold the position of officer and/or director in two or more public utilities and certain other companies, including the Company, the Consolidated Company, the Safe Harbor Corporation and the wholly-owned subsidiary transmission companies of the Company. In 1938, the Commission conducted public hearings on these applications and similar applications filed by certain officers and directors of the Consolidated Company and the Safe Harbor Corporation. On October 2, 1939, the Commission held another hearing for the purpose of hearing further evidence, but has not, as yet rendered any decision. Reference is made to the answer to Item 30 for names of officers and directors of the Company involved in these proceedings.

Reference is made to subdivision (1) of the answer to Item 40 relating to the investigation by the Federal Power

Commission to determine the authority, if any, under which the Company's hydroelectric plant is maintained and operated, and to the order of the Commission therein.

Reference is made to subdivision (2) of the answer to Item 40 relative to an investigation ordered by the Commission of the rates charged by the Safe Harbor Corporation to the Company and the Consolidated Company.